Ntabankulu Local Municipality
(Registration number EC 444)
Annual Financial
statements for the
year ended 30
June 2016

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General Information

Legal Form of entity	Municipality
Nature of business and principal activities	Ntabankulu Local Municipality is a South African Category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

Accounting Officer	Ms S Mankahla
Chief Financial Officer	Ms Jakob- Wutu (suspended on 31 October 2014) Ms N. Gixane (Acting CFO from 03 November 2014 to 1 April 2016) Ms N. Mdutyana (Acting CFO from 01 April 2016)
Registered office	Erf 85 Main Street Ntabankulu 5130
Postal address	P.O. Box 234 Ntabankulu 5130
Bankers	First National Bank Mthatha
Auditors	Auditor-General of South Africa

Council information

Honourable Mayor	Mayor Cllr V Mgoduka
Speaker	Cllr N Ndabeni
Exco	Mayor Cllr V Mgoduka (chairperson) Cllr S Sopaqa (chief whip) Cllr L Ndamase (community) Cllr M Tyhalibongo (corporate services) Cllr L Ntantini (IPD) Cllr M Magatyana (EXCO) Cllr N Mpompoza (strategic)
MPAC	Cllr B Ndamase (chairperson) Cllr S Cembi Cllr N Ncekana Cllr N Pikwa Cllr N Mbonomtsha Cllr L Talatala
Other council members	Cllr K Nonkondlo (resigned) Cllr M Magatyana Cllr N Mazaza (deceased) Cllr M Mkhize Cllr K Nomanzoyiya Cllr B Ntutuka Cllr V Macebo Cllr L Sigingotho Cllr V Mathwasa Cllr N Zweni Cllr S Sicwayi Cllr T Msuthu Cllr M Mamfengu Cllr R Poswa Cllr M Mtakasi Cllr M Gweqani Cllr M Siguqa Cllr M Madikizela Cllr S Nompula Cllr Z Lwana Cllr S Magagasa Cllr N Ndoyisile

Abbreviations

Term	Definition
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DSRAC	Department of Sport, Recreation, Arts and Culture
DEDEAT	Department of Economic Development, Environmental Affairs & Tourism
EPWP	Expanded Public Works Programme
GRAP	Generally, Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
ECDC	Eastern Cape Development Corporation
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GRAP	Standards of Generally Recognised Accounting Practice

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report.

It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or the deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page XXXX

The financial statements set out on pages 9 to 67 which have been prepared on the going concern basis, were approved by the Council on 31 August 2016 and were signed on its behalf by:

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Ms S Mankahla
Accounting Officer
Ntabankulu Local Municipality

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2016.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year, 8 (eight) meetings were held.

Name of member	Number of meetings attended	End of term
Mr M Mandla (Chairperson)	8	28 Feb 2019
Mr S Mbutuma	5	Expired 28 Feb 2016
Mr G Labane (Appointed 05 December 2015)	4	30 Nov 2018
Ms B Jojo (Appointed 01 June 2016)	1	30 May 2019

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed the entity’s compliance with legal and regulatory provisions and
- reviewed significant adjustments resulting from the audit.

The audit committee concurs with and accept the Auditor-General of South Africa's report the financial statements, and is of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The audit committee has met with the Auditor-General of South Africa to ensure there are no unresolved issues.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date:

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2016

1. Review of activities

Main business and operations

The municipality operates on a budget that has been presented to the National and Provincial Treasury, continuing its mandate to provide municipal services to the residents of Ntabankulu.

In prior year, the municipality successfully sourced a loan of R40.1 million from the Development Bank of South Africa for the electrification of its villages. The R40.1 million was approved by DBSA and the municipality only drew R37.1 million. The loan has been paid in full after the current reporting date. We anticipate that we will obtain further funding in the future from this and other sources, for other service delivery programs, including the tarring of the town streets and to further reduce the number of un-electrified households.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was **R 7 294 771 (2014: surplus R 43 152 320).**

2. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent Event

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that may have material significance on these financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with the South African Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Financial Statements for the year ended 30 June 2016

Statement of Financial Position

Figure in Rand	Note(s)	**2016**	**2015** Restated*
Assets			
Current Assets			
Inventories	3	2 766 504	2 872 860
Receivable from exchange transactions	4	422 489	802 147
Vat receivables	6	10 538 158	7 010 606
Receivable from non- exchange transactions	5	620 465	1 056 015
Cash and cash equivalents	7	8 843 588	1 889 640
		23 191 205	**13 631 268**
Non-Currents Assets			
Investment property	8	23 114 591	25 055 031
Property, plant and equipment	9	305 199 191	239 463 560
		328 313 782	**264 518 592**
Total Assets		**351 504 988**	**278 149 860**
Liabilities			
Current Liabilities			
DBSA Loan	11	18 765 988	30 010 559
Finance Lease obligation	12	420 274	148 510
Payables from exchange transactions	13	16 141 065	7 176 022
Unspent conditional grants and receipts	15	2 436 056	1 119 189
Accrued Expenses	14	4 741 694	4 045 506
Long service award	16	191 520	423 399
		42 696 597	**42 923 185**
Non-Current Liabilities			
Finance lease obligation	11	207 3871	148 342
Provisions	15	10 004 388	10 004 568
Long service awards	16	1 450 334	876 736
		11 662 593	**11 029 646**
Total Liabilities		**54 359 188**	**53 952 831**
Net Assets		**297 145 799**	**224 197 028**
Accumulated Surplus		**297 145 799**	**224 197 028**

Statement of Financial Performance

Figure in Rand	Note(s)	2016	2015 Restated*
Revenue			
Service charges	17	302 885	232 708
Rental of facilities and equipment	18	927 639	947 830
Licences and permits		1 395 094	866 897
Services rendered		39 603	34 248
Sundry income		974 907	503 615
Interest received	19	2 390 440	2 229 577
Property rates	20	4 707 812	2 721 629
Government grants and subsidies	21	196 035 932	141 758 516
Fines		1 013 900	324 249
Total revenue		**207 788 212**	**149 619 269**
Expenditure			
Personnel related costs	22	(44 688 307)	(38 359 720)
Remuneration of councillors	23	(9 441 031)	(9 194 266)
Auditors fees	24	(3 427 281)	(3504271)
Audit Committee fees		(145 507)	(215 249)
Depreciation and impairment of intangible assets	25	(19 199 474)	(13 317 675)
Transfer of RDP Homes		(348 100)	(2 361 680)
Impairment loss – Inventory		(32 320)	(1 700 625)
Finance costs	26	(2 104785)	(997 887)
Impairment loss – receivables	27	(3 872 266)	(436 343)
Repairs and maintenance		(1 740 997)	(1 369 025)
Loss on disposal of assets		-	(34 775)
General expenses	28	(48 451 154)	(41 776 917)
Total expenditure		**(132 899 001)**	**(113 268 494)**
Operating surplus		**74 899 211**	**36 350 775**
Fair value adjustment: Investment Property	29	(1 940 440)	6 801 546
Operating surplus		**72 948 771**	**43 152 320**

Statement of Changes in Net Assets

Figure in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014 as restated*	184 584 201	184 584 201
Prior year adjustment	(3 539 493)	(3 539 493)
Restated Balance at 01 July 2014	181 044 708	181 044 708
Surplus for the year	37 196 538	37 196 538
Prior year Adjustment	5 955 782	5 955 782
Restated balance at 01 July 2015	224 197 028	224 197 028
Surplus for the year	72 948 771	72 948 771
Balance at 30 June 2016	**297 145 799**	**297145 799**

Cash Flow Statement

Figure in Rand	Note(s)	2016	2015 Restated*
Cashflow from operating activities			
Receipts			
Taxes		9 748 537	6 241 694
Cash receipt from receivables		9 045 795	7 806 267
Grants		197 487172	141 758 516
Interest income		1 941 969	1 708 731
		218 223 472	157 515 209
Payments			
Employee costs		(56 532 942)	(48 545 136)
Suppliers		(53 957 428)	(54 316 824)
Finance costs		(1 084 618)	(320 888)
		(111 538 988)	(103 182 848)
Net cash flows from operating activities	30	**106 684 484**	**103 182 848**
Cash flows from investing activities			
Purchase of property, plant and equipment		(88 211 768)	(91 893 167)
Proceeds from sale of property, plant and equipment		-	294 710
Net cash flows from investing activities		**(88 211 768)**	**(91 598 457)**
Cash flows from financing activities			
Proceeds on DBSA loan		7 089 441	30 010 559
Redemption of loans		(18 334 012)	-
Finance lease payments		(278 774)	(169 200)
Net cash flows from financing activities		**(11 523 345)**	**29 841 359**
Net increase/(decrease) in cash and cash equivalents		**6 949 371**	**(7 424 737)**
Cash and cash equivalents at the beginning of the year		1 894 217	9 318 954
Cash and cash equivalents at the end of the year	**7**	**8 843 588**	**1 894 217**

Statement of Comparison of Budget and Actual amounts

Budget on Cash Basis					
Figure in Rand	Approved budget	Adjustments	Final Budget	Actual amounts comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	279 947	-	279 947	302 885	22 938
Rental of facilities and equipment	1 099 409	-	1 099 409	927 639	(171 770)
Licences and permits	-	-	-	25 189	25 189
Services rendered	160 816	141 300	302 116	39 603	(262 513)
Property rates				4 707 812	
Fines				1 539 855	
Grants				196 035 932	
Sundry income	5 934 088	4 085 961	10 020 049	974 907	(7 045 142)
Interest received	2 293 857	(253 857)	2 040 000	2 390 440	350 440
Total revenue from exchange transactions	**9 768 117**	**3 973 404**	**13 741 521**	**6 660 663**	**(7 080 858)**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	2 844 360	-	2 844 360	4 707 812	1 863 452
Transfer revenue					
Government grants & subsidies	206 597 000	1 629 011	208 226 011	196 035 932	(12 190 079)
Fines	1 700 746		1 700 746	1 539 855	(160 891)

Total revenue from non-exchange transactions	**211 142 106**	**1 629 011**	**212 771 117**	**202 283 599**	**(10 487 518)**
Total revenue	**220 910 223**	**5 602 415**	**226 512 638**	**208 944 262**	**(17 568 376)**
Expenditure					
Personnel related costs	(45 887 861)	1 319 750	(44 568 111)	(44 688 307)	432 024
Remuneration of councillors	(11 291 884)		(11 291 884)	(11 387 581)	1 850 853
Depreciation and amortisation	(2 824 000)	-	(2 824 000)	(19 199 474)	(16 375 474)
Finance costs	(50 000)		(50 000)	(2 104 785)	(2 077 200)
Repairs and maintenance	(3 600 000)	80 000	(3 520 000)	(1 740 997)	1 198 400
Impairment of RDP Houses	-	-	-	(32 320)	(32 320)
Transfer of RDP Houses				(348 100)	(348 100)
Impairment loss- Receivables				(2 104 785)	
Audit Committee fees				(145 507)	
Accounting and Audit fees	(3 777 281)	350 000	(3 427 281)	(3 427 281)	(828 875)
General Expenses	(39 860 110)	(5 082 725)	(44 942 835)	(44 638 944)	(2 171 186)
Total expenditure	**(107 291 136)**	**(3 861 975)**	**(111 153 111)**	**(130 203 357)**	**(16 912 091)**
Fair value adjustment				(1 940 440)	
Surplus before taxation	113 619 087	1 740 440	115 359 527	74 800 445	(34 480 467)
Actual Amount on Comparable basis as Presented in the Budget and Actual Comparative Statement	113 619 087	1 740 440	115 343 657	74 800 445	(34 480 467)

Appropriation Statement

	Original Budget	Budget adjustments (i.t.o s28 and s1 of the MFMA	Final adjustments budget	Shifting of funds (i.t.o s31 of the MFMA	Vehement (i.t.o council approved policy	Final budget	Actual outcome	Unauthorised Expenditure	Variance	Actual outcome % of final budget	Actual outcome % of original budget
2016											
Financial Performance											
Property rates	2 844 359	-	2 844 359	-	382 197	3 226 556	4 707 812	-	1 481 256	146%	166%
Service charges	279 947	-	279 947	-	-	279 947	302 885	-	22 938	108%	108%
Interest received	2 293 857	(253 857)	2 040 000	-	(15 000)	2 025 000	2 390 440	-	350 440	117%	117%
Transfers recognised-operational	103 352 000	1 389 570	104 741 570	-	(478 990)	104 262 571	103 742 858	-	(519 713)	100%	100%
Other own revenue	8 895 059	4 227 262	13 122 321	-	(2 745 621)	10 376 700	11 436 534	-	1 059 834	102%	104%
Total revenue (excluding capital transfers and contributions)	**117 665 222**	**5 362 975**	**123 028 197**	**-**	**2 857 414**	**120 170 774**	**122 580 529**	**-**	**2 409 755**	**102%**	**104%**
Employee related costs	(45 887 861)	319 750	(45 568 111)	-	1 215 935	(44 352 176)	(44 688 307)		(336 131)	101%	97%
Remuneration of councillors	(11 291 884)	-	(11 291 884)	-	1 850 853	(9 441 031)	(11 387 581)		1 946 550	121%	101%
Contribution to the impairment of receivables	-	(529 000)	(529 000)	-	-	(529 000)	(2 490 062)		(1 961 062)	471%	#DIV0
Depreciation and assets impairments	(2 824 000)		(2 824 000)	-	-	(2 824 000)	(19 199 474)		(16 375 474)	680%	680%
Finance charges	(50 000)	-	(50 000)	-	(2 077 200)	(2 127 200)	(2 104 785)		22 415	99%	4210%
Other expenditure	(49 320 327)	(3 963 725)	(53 284 052)	-	(7 078 711)	(60 362 763)	(50 362 763)		10 029 615	83%	102%
Total expenditure	**(109 374 072)**	**(4 172 975)**	**(113 547 047)**	**-**	**(6 089 123)**	**(119 636 170)**	**(130 203 357)**		**(10 567 187)**	**109%**	**119%**
Surplus/(Deficit)	**8 291 150**	**1 190 000**	**9 481 150**	**-**	**(8 946 537)**	**534 607**	**(7 622 828)**		**(8 157 432)**	**0%**	**-92%**
Transfers recognised-capital	103 245 000	239 441	103 484 441	-	(5 210 777)	98 273 664	92 293 074		(5 980 590)	94%	89%
Surplus/(Deficit) after capital transfers and contribute	111 536 150	1 429 441	112 965 591	-	(14 157 314)	98 808 268	84 670 246	-	**(14 138 022)**	86%	76%

Surplus/(Deficit) for the year	**111 536 150**	**1 429 441**	**112 965 591**	**-**	(14 157 314)	98 808 268	84 670 246	-	**(14 138 022)**	86%	76%
Capital expenditure and funds sources	-										
Total capital expenditure	(111 536 150)	(4 259 452)	(115 795 602)	-	(14 157 314)	98 808 268	84 670 246	-	**(14 138 022)**	86%	76%

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Significant judgements include:

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period.

In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available

In calculating the impairment loss for receivables the following were considered:

- The payments received from receivables for the year
- The age of the debt
- Current and 30 days were considered
- Current and 30 days were considered not to have past due date
- Receivables 60 days old were considered past due date but were not impaired.

The municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release of the impairment loss for receivables have been included in the Statement of Financial Performance.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying

amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, Plant and Equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, Plant and Equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.
Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.
The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Useful life
Land	Straight line	indefinite
Buildings	Straight line	30 years
Furniture and fixtures	Straight line	5 to 7 years
Motor vehicles	Straight line	4 to 7 years
Office equipment	Straight line	5 to 7 years
IT equipment	Straight line	3 to 5 years
Infrastructure	Straight line	20 to 30 years
Community	Straight line	10 to 30 years

Bins and containers	Straight line	10 to 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or
- exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.
Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
    - receive cash or another financial asset from another entity; or
    - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
    - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
    - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
    - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

distribution at no charge or for a nominal charge; or

consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset at the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the number of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

wages, salaries and social security contributions;

short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset
- (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
    - the activity/operating unit or part of an activity/operating unit concerned;
    - the principal locations affected;
    - the location, function, and approximate number of employees who will be compensated for services being terminated;
    - the expenditures that will be undertaken; and
    - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the on-going activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets;
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender.

Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item,

be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.18 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.20 Payable from exchange and non-exchange transactions

Payables are classified as "liabilities at amortised cost" and are initially recognised at the fair value of the present obligation of past events. Subsequent measurement is at amortised value if material.

2. New standards and interpretations

Standards and interpretations approved, but not yet effective

The municipality has not applied the following standards and interpretations, which have been approved and published, but not yet effective.

Approved standards but not effective

Document number	Title	Summary
GRAP 20	Related party disclosure	Standard objective is to ensure that a reporting entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
GRAP 32	Service concession arrangement: Grantor	The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

GRAP 108	Statutory receivables	The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
GRAP 109	Accounting principles and agents	The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

3. Inventories

Figures in Rands	2016	2015 Restated*
Consumables	525 724	251 660
RDP Houses	2 240 780	2 621 200
	2 766 504	**2 872 860**

RDP houses that are part of the municipal inventory were impaired due to faulty structures and some of the recognised items did not exist.

Reconciliation of RDP inventory with previously disclosed amount

	2016	**2015 Restated***
RDP Houses opening balances	2 621 200	19 416 788
Prior year adjustments	-	(12 733 283)
Restated prior year balance	2 621 200	6 683 505
Transfers of RDP Houses to beneficiaries	(348 100)	(2 361 680)
Impairments	(32 320)	(1 700 625)
Closing balance- RDP houses	**2 240 780**	**2 621 200**

4. Receivables from Exchange Transactions

2016

	Gross Receivables	Allowance for impairment	Net Receivables
Sundry receivables	521 274	(521 274)	-
Refuse receivables	1 270 936	(1 160 400)	110 536
Rental	615 823	(303 870)	311 953
Total	**2 408 033**	**(1 985 544)**	**422 489**

2015

	Gross Receivables	Allowance for impairment	Net Receivables
Sundry receivables	425 558	-	425 558
Refuse receivables	1 017 463	(762 913)	254 550
Rental	383 411	(261 372)	122 039
Total	**1 826 432**	**(1 024 285)**	**802 147**

Sundry receivables consist of amounts recognised for interest charged on arrear consumer receivable and receivables on traffic fines.

Trade and other receivables past due date but not impaired

Trade and other receivables which were 60 days old were not impaired.

At 30 June 2016 receivables amounting to R115 311 (June 2015 R110 780) were past due date but were not impaired.

Trade and other receivables impaired

At 30 June 2016 trade and other receivables that were impaired amounted to R1 985 544 (2015: R1 024 285).

The current year impairment loss amounted to R771 782.

This amount is made up of the following:

Rentals	42 498
Sundry Receivables	521 274
Refuse	208 010

771 782

In calculating the impairment loss for receivables the following were considered:

- The payments received from receivables for the year
- The age of the debt
- Current and 30 days were considered
- Current and 30 days were considered not to have past due date
- Receivables 60 days old were considered past due date but were not impaired.

The municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release of the impairment loss for receivables have been included in the Statement of Financial Performance.

Reconciliation of the allowance for impairment of trade and other receivables

	Total	**Rentals**	**Refuse**	**Sundry Receivable**
Opening Balance	1 213 762	261 372	952 390	-
Impairment loss created	771 782	42 498	208 010	521 274
Closing Balance	**1 985 544**	**303 870**	**1 160 400**	**521 274**

Age Analysis

2016

	Total	Sundry receivable	Refuse	Rental
Current-30 days	14 242		21 233	(6 991)
31-60 days	15 292		22 283	(6 991)
61-90 days	111 064		24 598	86 466
91-120 days	(66 509)		25 570	(92 079)
121-150 days	113 160		25 340	87 820
151-180 days	114 589		27 158	87 431
> 180 days	2 106 195	521 274	1 124 754	460 167
	2 408 033	**521 274**	**1 270 936**	**615 823**

Age Analysis

2015

	Total	Sundry receivable	Refuse	Rental
Current-30 days	(382 398)		20 090	(402 488)
31-60 days	108 416		19 770	88 646
61-90 days	110 599		20 633	89 966
91-120 days	46 980		15 420	31 560
121-150 days	108 998		20 132	88 866
151-180 days	77 123		17 460	59 663
> 180 days	1 756 714	425 558	903 958	427 198
	1 826 432	**425 558**	**1 017 463**	**383 411**

5. Receivables from non-exchange transactions

2016

	Gross Receivables	Allowance for impairment	Net Receivables
Rate receivables	9 872 176	(9 432 435)	439 741
Customer Interest	1 985 008	(1 859 034)	125 975
Councillor’s allowance	593 004	(593 004)	-
Fines Receivables	843 950	(789 200)	
	13 294 138	**(12 673 673)**	**620 465**

2015

	Gross Receivables	Allowance for impairment	Net Receivables
Rate receivables	8 451 323	(8 114 498)	336 825
Customer Interest	1 584 875	(1 458 689)	126 186
Councillor’s allowance	593 004		593 004
	10 629 202	**(9 573 186)**	**1 056 015**

Receivables from non-exchange transactions past due date but not impaired

Receivables from non-exchange transactions which were 60 days old were not impaired.

At 30 June 2016 receivables amounted to R410 882 (June 2015: R261 562) were past due date but were not impaired.

Trade and other receivables impaired

At 30 June 2016 trade and other receivables that were impaired amounted to R11 291 466 (2015: R9 573 187).

The current year impairment loss amounted to R1 718 279.This amount is made up of the following:

Rates	1 317 937
Interest	400 342
	1 718 279

Please refer to note 4 for the explanation of the calculation of allowance of impairment loss.

The creation and the release of the impairment loss for receivables have been included in the Statement of Financial Performance.

Reconciliation of the allowance for impairment of trade and other receivables

	Totals	Rates	Interest	Fines	Councillor's Allowance
Opening Balance	9 573 187	8 114 498	1 458 689	-	-
Impairment loss created	3 100 483	1 317 937	400 342	789 200	593 004
Closing Balance	**12 673 670**	**9 432 435**	**1 859 034**	**789 200**	**593 004**

Included in the receivables from non-exchange transaction is amount of R593 004 which relates to councillor allowance.

The impairment of R49 500 arose as a result of receivable that should have created in the previous year. The amount was not recognised in the past, during the current year the amount was recognised as a prior year error and an impairment loss was raised in the current year.

Age Analysis

2016

	Total	Rate receivable	Customer Interest	Councillors' allowance
Current-30 days	384 103	370 323	13 780	
31-60 days	381 196	372 474	8 722	
61-90 days	135 098	92 250	42 848	
91-120 days	(234 710)	(280 614)	45 904	
121-150 days	240 592	196 019	44 573	
151-180 days	422 317	379 658	42 659	
> 180 days	11 121 592	8 742 066	1 786 522	593 004
	12 450 188	**9 872 176**	**1 985 008**	**593 004**

2015

	Total	Rate receivable	Customer Interest	Councillors' allowance
Current-30 days	232 195	187 835	44 360	
31-60 days	250 528	205 989	44 539	
61-90 days	256 737	212 087	44 650	
91-120 days	(215 115)	(248 403)	33 288	
121-150 days	247 637	203 993	43 644	
151-180 days	245 876	203 310	42 566	
> 180 days	9 611 344	7 686 512	1 331 828	593 004
	10 629 202	**8 451 323**	**1 584 875**	**593 004**

6. VAT receivable

Figures in Rands	2016	2015 Restated*

The VAT receivable consists of the following		
Input VAT receivable	28 196 660	24 435 477
Output VAT	(17 658 502)	(17 424 871)
	10 538 158	**7 010 606**

7. Cash and Cash equivalents

Figures in Rands	2016	2015 Restated*
Cash and cash equivalent consist of		
Cash on hand	89 392	23 443
Bank balances	1 729 956	6 876
Investment balances	7 024 240	1 859 322
	8 843 588	**1 889 641**

The municipality had the following bank accounts:

Account description	Bank statement balances			Cash Book balances		
	June 2016	**June 2015**	**June 2014**	**June 2016**	**June 2015**	**June 2014**
Main Account: Current account - FNB	1 729 956	6 876	3 852 866,00	1 729 956	6 876	3 852 866
Investment Balance	48	48		48	48	-
Operations	800	-	2 253 137,00	800	-	2 253 137
Vat Call Account	6 282 916	601 000		6 282 916	601 000	-
Institutional	5 413	-	118 476,00	5 413	-	118 476
FEB Account	1 000	1 000	100 499,00	1 000	1 000	100 499
Municipal Support Institutional	1 000	1 000		1 000	1 000	-
MPCC Call Account	-17	(17)		-17	(17)	-
Free Basic Services Grant	1 003	1 003		1 003	1 003	-
INEP- FNB Call Account	1 000	1 000		1 000	1 000	-
FMG	1 000	1 000	1 782,00	1 000	1 000	1 782
MIG	1 000	1 000	1 000,00	1 000	1 000	1 000
MSIG	1 000	1 000	1 148,00	1 000	1 000	1 148
DEDEAT	1 000	34 544		1 000	34 544	-
DSRAC	236 475	1 642		236 475	1 642	-
EPWP	1 000	1 000	1 005,00	1 000	1 000	1 005
Thina Sinako	486 602	84 151	83 819,00	486 602	84 151	83 819
Traffic Fines	1 000	1 102 884		1 000	1 102 884	-
Vukani Mangqamza	1 000	3 115	2 987,00	1 000	3 115	2 987
DBSA LOAN	1 000	23 952		1 000	23 952	-
FNB Call Account	-	-	655 342,00	-	-	655 342
FNB Call Account		-	1 391 950,00	-	-	1 391 950
FNB Call Account	-	-	839 192,00	-	-	839 192
FNB Call Account	-	-	16 066,00	-	-	16 066
	8 754 196	**1 866 198**	**9 319 269**	**8 754 196**	**1 866 198**	**9 319 269**

8. Investment Property

	2016	2015
	Cost / Valuation	Cost / Valuation
Investment Property	**23 114 591**	**25 055 031**

Reconciliation of investment property

	2016	2015 Restated*
Opening balance –	25 055 031	10 374 131
Prior year errors	-	7 879 354
Fair value adjustment	(1 940 440)	6 801 546
Closing balance	**23 114 591**	**25 055 031**

During the current reporting period various errors were identified in the investment property amount. The errors were quantified and adjustments were processed. Property which was erroneously disclosed as inventory was transferred to investment property. Property which was erroneously categorised as inventory and valued at lower of cost or current replacement cost was transferred to Investment property as at 30 June 2015 financial year end. Subsequently it was measured at fair value in accordance to Investment property GRAP standard.

During the current year, the fair value calculation was not done as management is of the view that the valuation that was done in the previous year is adequate for the purpose of valuing the year-end balance of investment property.

9. Property Plant and Equipment

	2 016			2 015		
	Cost / Valuation	**Accumulated Depreciation and accumulated impairment**	**Carrying Amount**	**Cost / Valuation**	**Accumulated Depreciation and accumulated impairment**	**Carrying Amount**
Buildings	76 291 940	(19 980 073)	56 311 867	105 952 474	(23 606 580)	82 345 894
Furniture and fixtures	2 715 990	(937 540)	1 778 450	2 267 345	(1 655 137)	612 209
Motor Vehicles	5 962 166	(2 554 384)	3 407 782	4 393 601	(989 097)	3 404 504
Office Equipment	652 414		652 414	158 342	(101 651)	56 692
IT Equipment	2 754 601	(1 512 816)	1 241 785	1 857 560	(1 151 672)	705 978
Infrastructure	145 255 944	(38 851 654)	106 404 290	91 166 404	(25 470 356)	65 696 048
Leased Assets	736 646	-	736 646	443 400	(147 800)	295 600
Work in progress	132 588 437	-	132 588 437	73 730 268		73 730268
Total	**363 423 639**	**(62 752 690)**	**300 670 949**	**279 969 485**	**(53 122 293)**	**226 847 192**

Reconciliation of Property Plant and Equipment – 2016

	Opening Balance	**Additions**	**Transfer received**	**Depreciation**	**Transfers**	**Disposal**	**Total**
Buildings	82 345 894	6 752 665	-	(4 541 499)	-	-	84 557 060
Land	2 033 539	-	-	-	-	-	2 033 539
Furniture and fixtures	698 596	41 274	-	(176 287)	-	-	563 584
Motor Vehicles	3 404 504	758 235	(323 497)	(280 341)	-	-	3 558 901
Office Equipment	403 113	-	-	-	-	-	403 113
IT Equipment	1 052 399	81 448	-	(278 396)	-	-	855 451
Infrastructure	77 752 256	19 245 622	-	(7 737 375)	-	-	89 260 503
Leased Assets	295 600	293 246	-	-	-	-	588 846
Work in progress	73 730 268	51 484 036	-		-	-	125 214 304

Total	**241 716 170**	**78 656 525**	**-**	**(13 376 248)**	**-**	**362 350**	**305 001 760**

Reconciliation of Property Plant and Equipment – 2015

	Opening Balance	Additions	Transfers Received	Depreciation	Transfers	Disposal	Total
Buildings	105 952 474	-	-	(23 606 580)	-	-	82 345 894
Land	2 033 539	-	-	-	-	-	2 033 539
Furniture and fixtures	2 267 345	86 388	-	(1 655 137)	-	-	698 596
Motor Vehicles	4 393 601	2 078 955	-	(989 097)	-	-	5 483 459
Office Equipment	158 342	346 421	-	(101 651)		-	403 113
IT Equipment	1 857 650	346 421	-	(1 151 672)	-	-	1 052 399
Infrastructure	91 166 404	12 056 209	-	(25 470 356)	-	-	77 752 256
Leased Assets	443 400	-	-	(147 800)	-	-	295 600
Work In progress	4 372 630	69 357 638	-	-	-	-	73 730 268
Total	**212 645 386**	**84 272 031**	**-**	**(53 122 293)**	**-**	**-**	**243 795 125**

10. DBSA Loan

The municipality obtained a loan from the Development Bank of South Africa at a rate of 9% per annum repayable in instalments linked to the receipt of the INEP grant by the municipality. The duration of the loan was 2 years. The repayments were funded by the Integrated Electrification Program (INEP) grant that the municipality receives from National Government. In terms of the contract all amount received were suppose be paid to the DBSA.

Figures in Rands		2016	2015 Restated*
Non-Current Liabilities			
At amortised cost		-	-
Current Liabilities			
At amortised cost		18 765 988	30 010 559

11. Finance lease obligation

Figures in Rands		2016	2015 Restated*
Minimum lease payments due			
Within 1 year		623 658	148 510
in the second to fifth year		203 394	148 342

It is the municipality's policy to lease office equipment (printing equipment) under finance leases. The current leases are for a period not exceeding 5 years, with the lessor collecting the equipment at the end of the lease. Guaranteed fixed instalments are included in the lease in the lease for the full lease term with a fixed interest rate.

The general maintenance and repairs of the leased equipment are undertaken by the lessor on a separate contract with the payable monthly instalment linked to the rate of usage of the equipment by the municipality.

The prime rate at the commencement of the lease agreement was used to determine the finance costs, original cost and obligation.

12. Payables from exchange transactions

Figures in Rands		2016	2015 Restated*
Trade payables		14 008 772	7 176 022
Workmen's compensation		-	-
Total		**16 141 615**	7 176 022

13. Accrued Expenses

Figures in Rands		2016	2015 Restated*
Accrued leave pay		3 610 178	2 984 138
Accrued bonus		1 131 515	1 061 368
Total		**4 741 694**	**4 045 506**

14. Unspent conditional grants and receipts

Figures in Rands		2016	2015 Restated*
Spatial Planning (ANDM)		270 433	463 117
Municipal Infrastructure grant		(0.73)	-
Free Basic Services Electricity		(0.42)	(0.42)
Finance management		(0.22)	(0.22)
Sports Arts and Culture (DSRAC)		-	233 176
DEDEAT		167 380	422 906
EPWP		(1 755)	(9)
IEC		2 000 000	-
		2 436 015	**1 119 189**

These amounts are invested in a ring-fenced investment until utilised

15. Provisions

Figures in Rand		2016	2015 Restated*
Reconciliation of provisions			

Opening balance		10 004 568	5 175 900
Additions		-	4 828 668
Reversal		-180	-
Closing Balance		**10 004 388**	**10 004 568**

Although the municipality has already obtained a licence for the landfill site, the landfill site is not operational. It is included in the work in progress asset category and operations will commence once an engineering completion certificates received.

16. Long service awards

Figures in Rands		**2016**		**2015** Restated*
Non - current portion		1 450 334		961 643
Current Portion		191 520		338 492
Total		1 614 854		1 300 135

At 30 June 2016, 142 employees were eligible for long service awards. The current service cost for the ensuing year is estimated to be R1 614 854(2014/2015: R1 300 135). At the valuation date the long service award liability of the municipality was unfunded, no dedicated assets were set aside to meet this liability. As a result, the valuer did not value any long service award related assets during his valuation. The key assumptions for the valuation for the 2015/2016 financial year are as follows:

	2016	**2015**
Discount rate	8.8	8.16
CPI	6.51	5.96
Salary Increase percentage	7.51	6.96
Net discount rate	1.2	1.12
Mortality	SA 85-90	SA 85-90
Normal retirement age	63	63

17. Service charges

Figures in Rands		**2016**	2015 Restated*

Refuse removal		302 885	232 708

18. Rental of facilities and equipment

Figures in Rands		**2016**	2015 Restated*
Venue hire and lease of office premises		927 639	947 830

19. Interest received

Figures in Rands		**2016**	2015 Restated*
Interest Charged on trade and other receivables		448 472	520 846
Interest earned on investment		1 941 969	1 708 731
Total		2 390 440	2 229 577

20. Property rates

Figures in Rands		**2016**	**2015** Restated*
Property rates		4 707 812	2 721 629

Valuation on land and buildings are performed every 5 years. The general valuation came into effect on 1 July 2012.

The next general valuation will be implemented on 1 July 2017, Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The following are the property categories and their current rates charge:

Residential property	0.004
Business property	0.004
Public infrastructure	0.001
Government properties	0.0015

Rebates are granted to religious and non-profit entities

21. Government grants and subsidies

Figures in Rands		2016	2015 Restated*
Operating Grants			
Equitable Share		98 512 000	79 930 000
Provincial Treasury Internal Streets		26 498 073	-
Electrification Grant – Finance		39 400 000	34 500 000
Finance Management Grant Finance		1 800 000	1 800 000
GRANT REALIZED -MSIG		930 000	934 000
Expanded Public Works (EPWP)		1 031 000	1 093 040
EPWP Community Services		436 680	820 936
DSRAC		484 761	779 096
Spatial Planning (ANDM)		100 000	28 540
DEDEAT		255 526	146 363
Precinct Plan Grants		192 684	
LGSETA & DPLGTA		-	149 542
DM & DPLG Grants		207	-
Total Operating Grants		**169 640 724**	**120 181 516**
Capital Grants			
Municipal Infrastructure Grant(MIG)		**26 395 001**	**21 577 000**
Total Grants		**196 035 724**	**141 758 516**
Conditional and unconditional grants			
Included in the above total grants are the following grants received:			
Conditional grants received		97 523 932	61 828 516
Unconditional grants received		98 512 000	79 930 000
Total Grants		**196 035724**	**141 758 516**

Grant Reconciliations

Equitable share

In terms of the constitution, this grant is used to subsidies the provision of basic services to indent community members.

	2016	2015
Balance unspent at beginning of the financial period	-	-
Current year receipts	98 871 000	79 930 000
Conditions met-transferred to revenue	(98 871 000)	(79 930 000)
	-	-
Conditions to be met- remain liabilities (see note 14)		
Gazetted amount	98 871 000	79 930 000

MIG

Balance unspent at beginning of the financial period	-	-
Current year receipts	26 395 000	21 577 000
Conditions met-transferred to revenue	(26 395 000)	(21 577 000)
	-	-
Conditions to be met- remain liabilities (see note 14)		
Gazetted amount	26 395 000	25 577 000

INEP

Balance unspent at beginning of the financial period	-	-
Current year receipts	39 400 000	34 500 000
Conditions met-transferred to revenue	(39 400 000)	(34 500 000)
	-	-
Conditions to be met- remain liabilities (see note 14)		
Gazetted amount	30 000 000	30 000 000

FMG

Balance unspent at beginning of the financial period	1 000	1 000
Current year receipts	1 800 000	1 800 000
Conditions met-transferred to revenue	(1 800 000)	(1 800 000)
	1000	1000
Conditions to be met- remain liabilities (see note 14)		
Gazetted amount	1 800 000	1 800 000

MSIG

Balance unspent at beginning of the financial period	-	
Current year receipts	930 000	934 000
Conditions met-transferred to revenue	(930 000)	(934 000)
	-	-
Conditions to be met- remain liabilities (see note 14)		
Gazetted amount`	930 000	934 000

EPWP

Balance unspent at beginning of the financial period	(9)	-
Current year receipts	1 031 000	820 927
Conditions met-transferred to revenue	1 031 009	820 936
	129 365	(9)
Conditions to be met- remain liabilities (see note 14)		
The was over expenditure of R1 755 (see note 14)		
Gazetted amount	1 031 000	1 298 000

DSRAC	1 031 000	1 298 000
Balance unspent at beginning of the financial period	(18 173)	760 923
Current year receipts	-	-
Conditions met-transferred to revenue	436 680	779 096
	(1 585)	(18 173)
Conditions to be met- remain liabilities (see note 14)		

The over expenditure of R1 585 was financed from equity share.

Spatial planning grant

Balance unspent at beginning of the financial period	463 117	554 774
Current year receipts	-	400 000
Conditions met-transferred to revenue	(192 684)	(491 657)
	270 433	463 117
Conditions to be met- remain liabilities (see note 14)	270 433	463 117

The unspent grant is sitting in the main account.

Dedeat

Balance unspent at beginning of the financial period	422 906	644 483
Current year receipts		(146 363)
Conditions met-transferred to revenue	(255 526)	
	193 291	498 120
Conditions to be met- remain liabilities (see note 14)	193 291	498 120

IEC

Balance unspent at beginning of the financial period	-	-
Current year receipts	2 000 000	-
Conditions met-transferred to revenue	-	-
	2 000 000	-
Conditions to be met- remain liabilities (see note 14)	2 000 000	-

22. Personnel related costs

Figures in Rands		**2016**	**2015 Restated***
Basic		29 413 580	24 802 323
Bonus		2 415 938	2 011 671
Medical Aid - Company contributions		2 318 817	1 952 341
UIF		260 102	229 911
SDL		398 084	333 671
Defined Contribution Plans		3 340 738	3 153 498
Long service awards		66 940	423 399
Car Allowance		3 306 295	2 861 171
Housing benefits and allowances		2 301 851	2 106 319
Standby Allowances		232 338	415 408
Telephone allowances		67 369	57 892
Contribution to bargaining council		14 034	12 177
Salga levy		552 220	462 939
Total		**44 688 306**	**38 822 720**

23. Remuneration of Councillors

Figures in Rands		2016	2 015 Restated*
Councillors		8 606 738	8 380 663
Councillors pension contribution		834 293	813 603
Total		**9 441 031**	**9 194 266**

24. Auditors Fees

Figures in Rands		2016	2015 Restated*
Auditors remuneration		3 427 281	3 626 319

Figures in Rands		2016	2015 Restated*
Outstanding Audit fees			
Current year audit fees		3 427 281	3 626 319
Amount paid Current year			
Audit fees payable		3 427 281	3 626 675

25. Depreciation and amortisation

Figures in Rands		2016	2015 Restated*
Property, Plant and Equipment		19 199 474	13 317 675

26. Finance Costs

Figures in Rands		2016	2015 Restated*
Interest paid		2 104 758	997 887

27. Impairment - Receivables

Figures in Rands		2016	2015 Restated*
Impairment loss-receivables		2 490 062	436 343

28. General Expenses

Figures in Rands		2016	2015 Restated*
Accounting fees		2 234 151	434 860
Advertising		728 031	520 068
Bank charges		108 919	97 575
Capacity Building		763 628	1 347 149
Consulting and professional fees		3 237 581	2 295 472
Electricity		662 498	740 188
EPWP Expenses		1 866 384	996 588
Financial Management Expenses		1 408 007	2 572 748
Fuel and oil		1 313 195	1 664 016
IDP Expenses		2 505 721	1 936 358
IT Expenses		306 580	408 666
Indigent subsidy		6 728 757	8 912 102
Insurance		508 623	594 840
LED project expenditure		140 679	453 975
Library services		506 488	775 750
Marketing and communication		949 823	979 776
Municipal systems improvement (MSIG) expenditure		1 078 031	848 262
Occupational health and safety		406 994	223 851
Operational expenses		4 306 426	2 184 310
Postage and Courier		-	1 618
Printing and stationery		373 205	903 968
Project expenditure		2 103 514	1 481 799
Public amenities		245 268	308 525
Refuse bags and bins		193 000	207 000
Royalties and licence fees		72 306	140 446
Salaries and administration for PMU department		1 298 970	1 163 098
Security (guarding of municipal offices)		1 981 451	1 332 693
Telephone and fax		4 149 839	2 450 574
Travel – Local		3 247 686	2 628 348
Ward Committee sitting expenses		1 058 369	424 632
Waste management		154 819	305 071
Total general expenses		**44 638 944**	**39 334 328**

29. Fair value adjustments

Figures in Rands		2016	2015 Restated*

Investment property		1 940 440	(6 801 546)

30. Net Cash flows from operating activities

Figures in Rands		**2016**	**2015 Restated***
Surplus		63 709 713	43 642 336
Adjustment for:			
		12 637 091	5 933 495
Depreciation and impairment of intangible assets		18 899 953	13 169 875
Loss on sale of assets and liabilities		-	34 775
Fair value adjustments		-	(1 348 146)
Impairment deficit - RDP Houses		(5 492 500)	-
Disposal of RDP Houses		-	1 092 810
Debt impairment		(1 406 674)	(1 872 994)
Movements in provisions – Landfill		180	(4 828 668)
- Leave		636 132	(383 102)
- Bonus		-	68 944
Changes in working capital:		3 031 249	5 354 492
Inventories		2 295 823	12 167 600
Receivables from exchange transactions		(558 790)	(467 042)
Receivables from non-exchange transactions		(1 818 624)	(896 541)
Other receivables from non-exchange transactions		-	-
Payables from exchange transactions		6 308 459	1 445 767
VAT		(3 594 543)	(6 419 397)
Unspent conditional grants and receipts		398 923	(475 894)
Net cash flows from operating activities		**79 378 053**	**54 891 418**

31. Commitments

Figures in Rands		2016	2015 Restated*
Approved Capital expenditure		38 759 218	48 227 182
Approved and contracted for		-	-
Approved but not yet contracted for		-	-
Authorised operational expenditure		5 262 577	541 108
Authorised and contracted for			
Authorised and not contracted for		-	-
		44 021 795	**48 768 290**

32. Contingencies

Figures in Rands	Case number	2016	2015
Drodar Trading CC	628/12	200 000	600 000
P Ntintili (applicant)	968/12	200 000	150 000
P Ntintili (applicant)	883/12	200 000	200 000
Ingenious Information Systems (applicant)			200 000
Municipal Traffic Wardens Vs State	Unknown	5 105	5 105
IMATU and SAMWU vs SALGA Unknown	Unknown	3 696 278	3 696 278
Total contingent liabilities		**4 301 383**	**4 851 383**

Drodar Trading CC vs NLM (Case number 628/12)

The Applicant alleges that the municipality breached a contract by failing to pay after the applicant had supplied building material. The case is ongoing and the prospect of success is reasonable.

The potential loss to the municipality is R200 000. Legal fees are estimated at R25 000.

P Ntintili vs NLM (Case number 968/12)

The plaintiff entered into an alleged contract of employment with the municipality but the municipality failed to perform as required by the contract. The case is ongoing and the prospect of success is reasonable.

The potential loss to the municipality is R200 000. Legal fees are estimated at R25 000.

Ingenious Information Systems vs NLM (Case number unknown)

The dispute is about non-payment of an invoice for services rendered. The dispute was ongoing at reporting date but subsequent to year end, the parties agreed that the municipality pay the applicant an amount of R96 467.

Siphokazi Cekwana vs NLM (Case number unknown)

The Municipality hosted an event on the 26 March 2015 at the Ntabankulu Sports field where Miss Siphokazi Cekwana was attending. During the afternoon of this event, a storm hit the area at which the event took place. The tent collapsed, injuring Ms Siphokazi Cekwana on the right foot. The attorneys are claiming damages due to negligence by the municipality. There is no reimbursement from any third parties for potential obligations of the municipality.

The claim has not been quantified. The legal fees are yet to be estimated.

IMATU and SAMWU vs SALGA (Case number unknown)

On 21 August 2010, SALGA signed a wage curve agreement with both IMATU and SAMWU on behalf of municipalities. The unions have since declared a dispute and have referred this matter to the Labour Court. The Court delivered a ruling on 22 June 2012 in favour of the unions but SALGA has appealed. On 14 May 2014, the Labour Court upheld SALGA's position. The agreement in question lapsed on 30 June 2012 and the disputed matter (job evaluation function) now rests within the individual municipal management perogative.

The potential damages that may arise to this municipality due to this ongoing dispute are unknown.

NLM vs Somdaka Funeral Parlour (Case number unknown)

The municipality entered into a lease agreement with Somdaka Funeral Parlour subsequently to the signing of the lease agreement, an offer for the purchase of the property was signed by the parties for the sale of the property to the parlour. The sale of the property to Somdaka did not succeed. An order for the eviction of the parlour awaits a resolution of the Council before it is enforced.

The prospect of success is reasonable and the amount of claim is estimated at R70 000. The legal fees are estimated at R114 176.

33. Related parties

There were no related party transactions for the year.

34. Prior period errors

Statement of financial position	As previously reported	Correction of errors	Restated	Reference
Current Assets				
Inventories	10 582 250	(7 709 390)	2 872 860	1
Receivable from exchange transactions	(69 203)	871 349	802 147	2
Receivable from non- exchange transactions	314 529	148 482	463 011	
Vat receivables	6 914 146	96 460	7 010 606	4
Cash and cash equivalents	1 895 774	(6 134)	1 889 640	5
Non-Current Assets				
Investment property	10 374 131	14 680 900	25 055 031	1
Property, plant and equipment	236 677 462	2 785 253	239 462 715	
Intangible Assets	93 424	(93 424)	-	6
Current Assets				
Finance lease obligation	-	(148 510)	(148 510)	10
DBSA Loan	(11 958 385)	(18 052 174)	(30 010 559)	7
Payables from exchange transactions	(1 436 659)	(5 739 364)	(7 176 022)	4
Unspent conditional grants and receipts	(1 575 663)	456 473	(1 119 190)	8
Accrued Expenses	(4 086 544)	41 039	(4 045 506)	9
Non-Current				
DBSA Loan	(18 052 174)	18 052 174	-	7
Finance lease obligation	-	(148 342)	(148 342)	10
Long service awards	(876 736)	(243 910)	(1 120 646)	11
Net Assets				
Accumulated Surplus	(184 584 201)	3 360 004	(181 224 197)	
Statement of financial performance	**Prior Year Audited Balance**	**Adjustment**	**Adjusted Balance**	
Personnel related costs	38 402 847	(43 065)	38 359 782	12
Auditors fees	3 626 319	(122 048)	3 504 271	
Depreciation and impairment of intangible assets	13 022 075	295 600	13 317 675	6
Transfer of RDP Homes	-	2 361 680	2 361 680	1
Impairment loss - RDP Houses	9 105 300	(7 404 675)	1 700 625	
Finance costs	298 428	699 414	997 842	13
Contribution to the Allowance for the impairment of receivables	1 406 674	(970 331)	436 343	2

General expenses	39 706 226	2 285 939	41 992 165	14
Fair value adjustment	(1 348 146)	(5 453 400)	(6 801 546)	3

Certain comparative figures had been reclassified to enhance presentation. Material amendments to prior years due to error or reclassification are explained below;

1.Inventory assessment was done and a portion of land had been reclassified from inventory to investment property. Adjustment on RDP houses transferred to beneficiaries were taken into account by expensing them in the Income statement.

2. Receivables balances for Rates, Rentals, Customer Interest and Refuse were revised by agreeing them to the aging balances. The impairment of receivables was revised resulting in adjustment in Contribution to the allowances.

3. Investment property was revalued resulting in fair value adjustment.

4. Accruals were understated in the prior year resulting in prior year adjustment to payables and vat receivables.

5. Bank balances emanating from prior years not backed by the actual cash in the bank had been reversed.

6 Assets previously disclosed as intangible assets had been reversed and the assets in the register does not meet the definition of intangible assets.

7. The full DBSA loan was reclassified as short term liability.

8. Conditional grant liability was previously overstated as the amount received and utilised in prior years was recognised as revenue by decreasing the liability.

9. Provision for leave pay previously overstated had been adjusted.

10. Assets which met the definition of finance lease had been capitalised both the finance lease assets and liability were understated

11. The Long Service Awards provision was previously understated. The correction of this understatement has resulted in an increased provision for Long Service Awards provisions

12. Subsistence and Travelling incorrectly classified under basic salaries had been reclassified.

13. The interest on DBSA loan accrued at year end was not accounted in the prior. The adjustment resulted in increase in payables and increase in interest.

14. Expenditure reclassified resulting in an increase in General expenditure and audit fees.

35. Risk management

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Payables from exchange transactions with an amount of R 16 141 065 (2015: R7 176 022) are exposed to liquidity risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Financial assets exposed to credit risk at the end of the year were as follows:

Financial instrument		**2016**	**2015**
Receivables from exchange transactions		422 489	802 147
Receivables from non-exchange transactions		620 465	1 056 015
Cash and cash equivalents		8 843 588	1 889 640

Market risk

The municipality is not exposed to this risk due to the nature of its operations.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

36. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

37. Events after the reporting date

There were no significant events after the reporting date that may affect the financial statements.

38. Unauthorised expenditure

	2016	2015
Unauthorised expenditure for the year	16 441 736	
Amount written off		
	16 441 736	

39. Fruitless and wasteful expenditure

	2016	2015
Fruitless and wasteful expenditure (opening balance)	7 347 061	7 295 643
Fruitless and wasteful expenditure (Current year)	1 025 355	51 418
Amount written off	(7 347 061)	7 347 061
	1 025 355	7 347 061

40. Irregular expenditure

	2016	2015
Opening balance	259 922 530	31 166 599
Less: amount written off	(259 922 530)	

Add: Irregular Expenditure - current year	17 209 205	97 471 196
Balance	17 209 205	128 637 795
Add: Reversal of amount previously condoned without following prescripts	-	131 284 735
	17 209 205	259 922 530
Less: irregular expenditure incorrectly disclosed	(2 349 844)	
Less: Amount written off by Council	(13 733 745)	-
Less: Amounts recoverable (not condoned)	-	-
Closing balance	1 125 626	259 922 530

41. Additional disclosure in terms of Municipal Finance Management Act

Figures in Rands	2016	2015
43. Additional disclosure in terms of Municipal Finance Management Act		
PAYE, UIF and SDL		
Opening balance	633	
Current year subscription/fee	8 869 824	6 142 547
Amount paid	(8 335 840)	(6 627 733)
Closing balance	534 617	633
Pension and Medical Aid deductions		
Opening balance	-	-
Current year subscription/fee	10 703 243	5 422 924
Amount paid	(9 730 125)	(5 422 924)
Closing balance	973 118	-
VAT		
VAT receivable	10 538 158	7 010 606
VAT output payables and VAT input receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year		

42. Utilisation of Long-term liabilities reconciliation

	2016	2015
Long-term liabilities raised Used to finance Property, Plant and Equipment	19 327 329 (18 100 000)	30 676 547 (30 010 559)
	1 227 329	665 988 30 010 559
Cash set aside for the payment of long term liabilities	1 227 329	30 676 547

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(I) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the financial statements.

44. Directors' remuneration

Executive – 2016 Other	**Emoluments**	**Other benefits**	**Contribution to UIF, Medical Aid and Pension Fund**	**Total**
Ms S Mankahla	746 480,69	160 509,07	163 070,70	1 070 060,46
Mr S Matiwane	570 500,51	336 249,96	2 033,20	908 783,66
Ms N Ndlaku	570 500,51	336 249,96	2 033,20	908 783,66
Ms C Qotoyi	864 316,41	152 885,23	2 033,20	1 019 234,84
Ms T Jako-Wutu	570 500,51	336 249,95	2 033,20	908 783,66
Mr S Nodo	492 324,23	336 249,96	80 209,48	908 783,66
	3 814 622,86	**1 658 394,12**	**251 412,98**	**5 724 429,95**
Executive – 2015 Other	**Emoluments**	**Other benefits**	**Contribution to UIF, Medical Aid and Pension Fund**	**Total**
Ms S Mankahla	828 263,94	151 423,65	29 803,10	1 009 491,00
Mr S Matiwane	538 104,64	317 216,94	2 021,50	857 343,08
Ms N Ndlaku	538 104,64	317 216,94	2 021,50	857 343,08
Ms C Qotoyi	815 289,46	144 231,35	2 021,50	961 542,30
Ms T Jako-Wutu	513 854,44	317 216,94	26 271,70	857 343,08
Mr S Nodo	502 014,04	317 216,94	38 112,10	857 343,08
	3 735 631,17	**1 564 522,76**	**100 251,71**	**5 400 405,64**